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PP RUEHBC RUEHDE RUEHIHL RUEHKUK
DE RUEHGB #2278/01 1800626
ZNY CCCCC ZZH
P 290626Z JUN 06
FM AMEMBASSY BAGHDAD
TO RUEHC/SECSTATE WASHDC PRIORITY 5428
INFO RUCNRAQ/IRAQ COLLECTIVE

C O N F I D E N T I A L SECTION 01 OF 03 BAGHDAD 002278

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E.O. 12958: DECL: 06/26/2016
TAGS: [EAID](#) [ECON](#) [EFIN](#) [KCOR](#) [PINR](#) [PREL](#) [IZ](#)
SUBJECT: FUEL PRICE PUBLIC AWARENESS: A STRUGGLE FOR
TRANSPARENCY

Classified By: EconMinCouns Delare for reasons 1.4 (b) and (d).

¶1. (C) Summary. Embassy efforts beginning in January to help the Iraqis produce public service messages on economic themes have exposed the irregularities inherent in routine commercial dealings here. Over five months, the public awareness campaign has encountered obstacles including a lack of experts to educate the public; aggressive partisan politics that crowds out civil society; profiteering public broadcasters; and government officials who seek to promote GOI policies through their own commercial endeavors, even if their government salaries should be enough to make "moonlighting" unnecessary. End Summary.

Embassy Directly Engages Iraqis to Help Mold a Message

¶2. (SBU) The public affairs campaign to help the Iraqi government produce and disseminate a coordinated message on fuel subsidy reductions has exposed the difficulty of spending money effectively and ethically in Iraq.

¶3. (SBU) In January, the Embassy determined that to be credible, efforts to convince Iraqis to accept higher fuel prices (mandated by the IMF as part of its Stand-By Arrangement) must reflect input from multiple Ministries. To be effective, we judged it necessary that public awareness efforts hit a broad cross-section of the media, including media outlets run by political parties. To help build critical human resource capacity in the nascent government, the public awareness message needed to put the Iraqis up front as the planners.

¶4. (SBU) Getting almost a dozen Iraqis from different Ministries to agree on messages and getting government officials to take initiative has been very difficult. As but one example, Embassy Public Affairs (PAS) tried for three months to get either the Iraqi Government Communications Directorate (GCD) or the Ministry of Finance (MoF), including Deputy Minister Kemal Field al-Basri, to negotiate discounted rates to run TV public service announcements (PSAs). However, the biggest obstacle to progress was endemic, perhaps crippling, corruption.

Problem #1: Blatant Corruption

¶5. (SBU) While discussing a potential public awareness campaign with the editor of an Iraqi daily paper in March, PAS discovered that the editor had provided the government a bid in December for such an initiative, including TV spots, posters, and pamphlets. Indeed, the GCD admitted they had commissioned the project and the MoF confirmed financing was available; we understood that political inertia had stalled the effort. However, in April, the editor said he had heard that the contract was rejected by a senior Iraqi politician

who intended to direct the contract to companies "more in line with his interests."

Problem #2: Public Broadcaster Trolls for Profit

¶16. (C) In April PAS separately asked the MoF Deputy Minister and GCD officials to formally negotiate "government" rates for TV time substantially below going rates from Iraq Media Network (IMN) Director General Habib al-Sadr. (NOTE: IMN, the public broadcasting corporation of Iraq, runs Iraqiya TV; it has come under the sway of successive governments.) When Iraqiya failed to take action, PAS officer asked MoF Chief of Staff Musab al-Kateeb to press the matter with the station. Kateeb told us to stay out of the picture or the IMN would "jack up the rates." Kateeb secured in early May a rate of \$11.50 per second, but when a member of our local staff called May 10 to confirm, she was berated by the IMN's commercial manager, who indignantly claimed this was "impossible."

¶17. (C) By late May, IMN was still asking their standard prime-time rate of \$66 per second. We noted additionally that Iraqiya, which is supposed to be fully funded by the Iraqi government, is handling contracting, production, and placement of ads through a commercial company in Amman. This increases the cost of business and diverts profits outside Iraq. Even though IMN shows loyalty to the Da'wa party now, we learned on June 4 from a Lebanese consultant working with the GOI, that the Jordan-based company is owned by allies of the former Prime Minister, who appointed the current Director General of the IMN. After much discussion and persuasion, on June 7 the Embassy and the MoF Chief of Staff got the IMN

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Deputy Director to agree to a price of \$16.50 per second.

Problem #3: NGOs, Non-Government in Name Only

¶18. (SBU) In Iraq today, there are virtually no independent NGOs. A new NGO law is pending in Parliament, but any cursory review of organizations now operating shows almost all are connected to political parties, politicians, government officials, or for-profit companies (many of which are themselves connected to politicians or political parties). At the same time, there are only a handful of "NGOs" that can pull together public awareness programs that accurately present complex economic concepts to the public.

¶19. (C) One of these is affiliated with Deputy Finance Minister Kamal Field al-Basri, the chair of the policy working group on the public education effort. His NGO, the Iraqi Institute for Economic Reform, submitted a proposal to produce a series of TV shows on the issue. This put the Embassy in the difficult position of having to pay an NGO to explain government policy to the people, even though the NGO is affiliated with an official whose job it is to do precisely that. However, such programs are essential to persuading the public of the importance of ending government subsidies, and therefore vital to economic reforms. Having often been paid to air items on key policy issues, both media outlets and officials have come to expect payments for doing what should be their job.

¶10. (SBU) The Embassy Legal Adviser advises that there is no rule that precludes granting assistance to DM al-Basri's NGO or other similar entities knowing there is, or is likely to be, a conflict of interest. However the Legal Advisor cautioned against such a program, as even tacit approval would raise serious ethical concerns. Instead, Legal recommends that we do what we can to eliminate the conflict, even to the point of not providing the funding. Should we indeed go ahead, we may find other government officials

holding back from official advocacy as we have created expectations that they can be compensated additionally for so doing.

Problem #4: U.S. Contractors Distorting Prices

¶11. (C) We believe that DM al-Basri or PAS officers unwittingly may have distorted the bidding process by revealing to a Western contractor working for the U.S. military in Baghdad that \$3 million was available to run a public awareness campaign on fuel prices. This prompted that company to partner with an Iraqi group and submit an unsolicited bid for the contract. Their bid, not surprisingly, was very professional, and no doubt the PSAs and posters would have been high quality, but the overhead for the Western company would have cut into funds we are now spending on airtime and developing Iraqi entrepreneurial skills.

Moonlighting and Obstruction

¶12. (C) Asim Jihad is the Public Affairs Advisor at the Ministry of Oil, and serves on the PSA design committee. Told he had experience in advertising, we made him a member of a core planning group. He then set about to block hiring of independent production companies, insisting he could get a "better product" from "his contacts." As the ads went on the air, Jihad undermined the message by publicly criticizing the Ministry of Finance for failing to transfer funds to Turkey to pay for subsidized oil imports, while Turkey was poised to cut off supply of further fuel products to Iraq.

Extraneous "Advisors"

¶13. (SBU) At one point the MoF appointed a media guru to help guide the campaign. This individual, a former Director of the GCD, had received PAS funding to conduct a media seminar in October. We discovered that he too was in politics, a candidate on Ahmad Chalabi's slate in December elections.

¶14. (SBU) This person (who failed in his electoral bid) had previously told us that he needed at least \$5000 per month to support his residence in London; he was an expatriate who returned at liberation to help the new government. At our first meeting he said he hoped to win the contract for the

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campaign. When we said it would be bid to commercial companies, the man backed out of his employment "deal" with the MoF.

Some Parties Won't Agree on the Price or the Message

¶15. (SBU) At the outset of the campaign, PAS stipulated to party-owned outlets (who do not struggle for funding) that we would pay a maximum of \$14 per second to air the PSAs. Indeed, by April several party-owned outlets had agreed to this price, including widely viewed al-Furat TV, owned by SCIRI, and Kurdistan TV (KTV), owned by the Kurdistan Democratic Party (KDP).

¶16. (SBU) On May 14, Embassy monitoring revealed that KTV did not air the spot; a follow up call revealed that the station had decided to renege on its deal. According to their Baghdad bureau chief, KDP media managers in Irbil had decided to request higher advertising rates. Embassy Media Advisor and the MoF agreed anything more than \$15 per second

was unreasonable given KTV's market penetration of only about 20% of Iraq's population, so we withdrew the spot. The MoF agreed, on the assumption that regional security apparatuses in Kurdistan will not tolerate any civil unrest over new prices. We later learned from the company producing the ads that KTV charged them \$3 per second to air ads last year.

Comment

¶17. (C) We have resisted deals that appear to involve unnecessary costs or questionable ethics, but find that few funds have been spent. Mid- to senior-level GOI officials with Western educations -- the ones who must help educate their countrymen through training and media -- often cannot make competitive salaries, which may explain self-serving attitudes. But even entities that are relatively solvent, such as the IMN or the KDP, seem motivated solely by greed. As the public coffers have become accessible to groups long denied a share of Iraq's wealth (mainly Shi'ites and Kurds), organizations they control seem intent on channeling assets to build parties or personal empires vice helping the country.

¶18. (C) We increasingly face bad choices between educating the public and reinforcing already powerful political parties (the KDP as but one example) or hierarchical and non-transparent media enterprises (the IMN). A similar dilemma exists as politicians need to raise money and see Western-funded NGO projects as one means of doing so. The sums in play are relatively small; corruption and unethical behavior mount as the stakes are raised. GOI officials and media outlets are adding commercial "cut-outs" to their operations to supplement income, a practice that inflates the price to the end-user. Most Iraqis would view this as corruption. As public officials seek profit for conveying government or other "sponsored" messages, it directly undermines the credibility of the message and distorts the media market. End Comment.
Khalilzad